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SUBJECT: EAP DAS CHRISTENSEN AND FISS SECRETARY GENERAL  
CHEN ZHIYA DISCUSS JAPAN AND NORTH KOREA

Classified By: Deputy Chief of Mission David S. Sedney. Reasons 1.4 (b  
/d)

Summary

1. (C) Prime Minister Abe's visit to Beijing was an "icebreaking event" and momentum in resolving outstanding differences between Beijing and Tokyo is building very quickly, Chen Zhiya, Secretary General of the Foundation for International Strategic Studies (FISS) told EAP DAS Thomas Christensen in a November 7 meeting. China will maintain a sober-minded approach to Japan in the run-up to the Japanese Upper House elections. The "constructive ambiguity" introduced by PM Abe and endorsed by President Hu Jintao over the resolution of outstanding historical differences is allowing the two sides greater flexibility to improve ties. Chen commented that the DPRK is facing severe domestic challenges and pointed out that the United States' financial "sanctions" have been highly effective. At the same time, Chen argues that the DPRK nuclear test demonstrated that hardline factions in the DPRK are in the ascendancy. Despite the nuclear test, China's three operating principles toward the DPRK nuclear issue have not changed: 1) China opposes a nuclear Korean Peninsula, 2) China will evaluate the situation from the perspective of its national security interests and 3) China will avoid using methods that will further provoke a crisis. End Summary.

Abe's Visit a Real Ice Breaker

2. (C) Prime Minister Abe's first trip to China was an "icebreaking event," stated Chen Zhiya, Secretary General of the Foundation for International Strategic Studies, during a November 7 meeting with EAP DAS Thomas Christensen. PM Abe espoused his "two-wheel" theory for developing political and economic relations, emphasizing that the two are connected and must roll forward simultaneously. This is an important change from former PM Koizumi, who tried to de-link political development from economic development. Chen cautioned that there are still issues between the two countries that need to be resolved and said that the careful application of ambiguity on these issues will allow both sides more room for compromise, particularly in resolving differences on the historical record. Constructive ambiguity helped achieve break-throughs at the Summit. During PM Abe's trip the two sides established the first Track-Two dialogue on outstanding historical issues. For the first time, President Hu publicly stated that China views post-war Japan to be on the path of peace and development. According to Chen, President Hu decided that he did not have to solve permanently the Yasukuni Shrine issue, he could just "put it on the shelf." Chen claims that the two sides are showing great flexibility and the momentum in resolving outstanding differences between Beijing and Tokyo is building very fast.

China Will Maintain Sober-minded Approach to Japan

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13. (C) Despite these developments, Chen argued that China will maintain its careful approach to Japan. Prime Minister Abe has not clearly stated his personal views on outstanding historical issues or on visiting the Yasukuni Shrine. PM Abe is currently enjoying an extremely high level of domestic support, with public approval ratings standing at 83 percent. Therefore, he has no domestic political need to visit the Shrine. But the North Korean nuclear test has strengthened the hand of Japan's hardliners. Abe could eventually feel pressured to take a public stand on the Yasukuni issue if his approval ratings begin to slide. Chen said he is worried that the history issue could become more important to PM Abe as Japan's Upper House elections approach and added that he hopes Beijing's "sober-minded" policy can continue.

14. (C) Nevertheless, Chen believes that the common interests between China and Japan will allow the two sides to resolve their differences. Chinese press coverage of Japan has changed since PM Abe's visit, focusing on positive elements of the bilateral relationship, Chen stated, pointing out that the negative press is in Hong Kong and Taiwan publications. Likewise, Japan's Keidanren business association has publicized President Hu's positive remarks on Japan and this is generating a good response among the Japanese population. Chen noted that China reportedly ranked second only to North Korea among the Japanese population as least trustworthy nation.

#### DPRK Facing Domestic Challenges

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15. (C) Regarding North Korea, the country is facing severe

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domestic challenges, stated Chen. The financial "sanctions" the United States has enacted against financial institutions involved with North Korea have been very effective, Chen said. Pyongyang cannot use U.S. dollars to settle transactions anywhere in the world and can only exchange currency for Euros after the financial institution performs a due diligence investigation. The DPRK, according to Chen, is unable to deposit or withdraw money from international banks.

At the same time, Pyongyang is facing a significant shortfall in grain supplies that is even affecting supplies to the military. Chen said that the winter season will further exacerbate the DPRK's domestic situation because Pyongyang will face an oil shortage.

#### Nuclear Test Shows DPRK Hardliners are in the Ascendancy

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16. (C) Chen noted that Kim Jong-Il held a conference that included over 30 minister-level officials to discuss the nuclear test. The results of the meeting were then discussed at the deputy level. Kim held these meetings to unite domestic elements in Pyongyang and to shore up his hardline support in the face of possible challenges from "reformers." These "reformers" were outside the country at the time of this conference, at which the decision was made to conduct the first nuclear test, Chen said. He argued that Kim Jong-Il's ability to handle military pressure is much weaker than his father's, saying that Kim "can't keep the military in the box." Chen confirmed that Pyongyang only gave Beijing a 20-minute warning before the DPRK conducted the nuclear test and said that Kim apologized to State Councilor Tang Jiaxuan for the short notice, but not for conducting the test itself.

#### Kim's Strategy Based on Wrong Assessment

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17. (C) Chen argues that Kim Jong-Il acquired nuclear weapons and demonstrated them in a "show of muscle" to compel the United States to return to talks. In Kim's mind, the nuclear

issue is now a foreign policy issue rather than a military one. Kim is acting as if the DPRK is already a nuclear power. During the Kim-Tang meeting, only three participants from the Ministry of Foreign Affairs were present. Kim's ultimate goal, according to Chen, is to achieve a higher-level of economic development and security guarantees.

He believes that his "bullying" approach will further the DPRK's economic interests. Chen firmly disagreed with Kim's strategy, saying it is based on a fundamentally wrong assessment of the situation. Chen is concerned that if Kim views the situation as not progressing and hopeless, then he is likely to conduct a second test. If that produces no results, Kim will likely attempt to weaponize his nuclear capacities. Chen stated that this must be avoided.

#### China's Three Operating Principles on DPRK

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18. (C) Beijing has three operating principles it applies to its negotiations on the DPRK nuclear issue. First, China will never change its position that Beijing opposes a nuclear Korean Peninsula. Second, China will not use ideology to assess the situation and will put China's national interests first. Third, China will avoid using methods that will cause the worst possible situation. When pushed on "worst case" scenarios, Chen envisioned a collapsed DPRK, two million armed people on the loose and a flood of refugees into China.

Chen said Beijing views cooperation with the United States on UNSC Resolution 1718 and renewing the Six-Party Talks as positive.

#### Pyongyang Responded to Beijing's Pressure in the Past

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19. (C) Chen stated that in the 1960's Pyongyang began making radical statements and actions that Beijing opposed. Beijing condemned the statements and cut off aid to the DPRK. Pyongyang quickly "changed its attitude," Chen said. Now, Beijing must handle opposition from China's Korean War veterans towards taking a tougher stand on relations with the DPRK. DAS Christensen responded that China needs to establish a marketplace of ideas to allow the public to accurately assess China's historical relations with the DPRK.

China's historical relationship with the DPRK is the source of many of the challenges China is currently facing. For example, Kim Il-sung tricked Mao Zedong into supporting the DPRK's invasion of South Korea. Chen replied that this version of history is discussed in some journals and magazines with a limited circulation but is not openly reported in academic journals that discuss "official history." Chen added that Chinese academics are allowed to discuss the issue among themselves but not with outsiders.

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#### Second Test Reaction?

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110. (C) Chen said China's academic circles are heatedly discussing the likelihood of a United States military attack on DPRK nuclear facilities in the event of a second nuclear test. DAS Christensen responded that the United States wants a diplomatic resolution to the nuclear problem and Pyongyang must seize the opportunity to achieve one. Chen said that there are two schools of thought on how China should handle a second test. First, many academics argue that Beijing should end its relations with Pyongyang if the DPRK conducts a second test, because China would stand to lose more than it can gain from this relationship vis--vis the international community. The second school of thought contends that China needs to keep the DPRK as a strategic buffer zone and therefore must maintain good relations with Pyongyang regardless whether the DPRK tests a second nuclear weapon. Chen added that some people at the Academy of Military Science are the strongest advocate of this position.

Arm Sales to Taiwan

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¶11. (C) Chen raised the Director of the American Institute in Taiwan's October 26 press conference comments on the prospect of United States arm sales to Taiwan. DAS Christensen responded that the comments accurately represent United States Government policy and widely held U.S. views on the importance of serious consideration in Taiwan of Taiwan's long-term defense needs. U.S. concerns about the defense of Taiwan are reflected in the Taiwan Relations Act and have long been an important part of the United States' one-China policy.

¶12. (U) DAS Christensen cleared this cable.  
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